

# **OUTRIGHT ACTION INTERNATIONAL, CORP.**

Audited Financial Statements

June 30, 2017

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Outright Action International, Corp.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Outright Action International, Corp. ("OAI"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

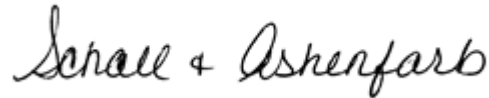
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Outright Action International, Corp. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the OAI's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb  
Certified Public Accountants, LLC

February 2, 2018

**OUTRIGHT ACTION INTERNATIONAL, CORP.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2017**

(With comparative totals at June 30, 2016)

	6/30/17	6/30/16
<b>Assets</b>		
Cash and cash equivalents	\$831,275	\$816,111
Investment - restricted cash (Note 3)	598,250	560,307
Other receivables	237,579	152,552
Contributions receivable, net (Note 4)	1,152,620	752,183
Government grants and contracts receivable	58,489	109,898
Prepaid sub-grant expenses	57,926	119,599
Prepaid expenses	40,637	15,712
Property and equipment, net (Note 5)	8,993	8,053
Security deposits	31,311	30,544
Cash restricted for permanently restricted endowment fund (Note 7)	18,354	18,354
Total assets	\$3,035,434	\$2,583,313

**Liabilities and Net Assets**

Liabilities:

Accounts payable and accrued expenses	\$130,357	\$116,287
Deferred revenue	63,895	299,847
Total liabilities	194,252	416,134

Net assets:

Unrestricted:

Board designated - general program	622,000	580,000
Undesignated	509,975	274,024
Total unrestricted net assets	1,131,975	854,024

Temporarily restricted (Note 6)	1,690,853	1,294,801
Permanently restricted (Note 7)	18,354	18,354
Total net assets	2,841,182	2,167,179

Total liabilities and net assets	\$3,035,434	\$2,583,313
----------------------------------	-------------	-------------

*The attached notes and auditor's report are an integral part of these financial statements.*

**OUTRIGHT ACTION INTERNATIONAL, CORP.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With comparative totals for the year ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/17</u>	<u>Total 6/30/16</u>
Public support and revenue:					
Contributions	\$1,250,353	\$1,502,296		\$2,752,649	\$2,264,451
Government grants and contracts	409,032			409,032	630,292
Special events (net of expenses with a direct benefit to donors) (Note 10)	179,149			179,149	305,217
Investment loss (Note 3)	(2,730)			(2,730)	(2,566)
Foreign currency translation adjustment	(886)			(886)	(6,870)
Other income	27,737			27,737	14,622
Net assets released from restrictions	<u>1,106,244</u>	<u>(1,106,244)</u>		<u>0</u>	<u>0</u>
Total public support and revenue	<u>2,968,899</u>	<u>396,052</u>	<u>0</u>	<u>3,364,951</u>	<u>3,205,146</u>
Expenses:					
Program services:					
Africa	232,968			232,968	204,047
Asia	1,016,581			1,016,581	783,664
Latin America	180,077			180,077	229,346
Middle East	246,942			246,942	504,859
U.N. General	318,462			318,462	442,224
Total program services	<u>1,995,030</u>	<u>0</u>	<u>0</u>	<u>1,995,030</u>	<u>2,164,140</u>
Supporting services:					
Management and general	366,585			366,585	366,474
Fundraising	<u>329,333</u>			<u>329,333</u>	<u>414,436</u>
Total expenses	<u>2,690,948</u>	<u>0</u>	<u>0</u>	<u>2,690,948</u>	<u>2,945,050</u>
Change in net assets	277,951	396,052	0	674,003	260,096
Net assets - beginning of year	<u>854,024</u>	<u>1,294,801</u>	<u>18,354</u>	<u>2,167,179</u>	<u>1,907,083</u>
Net assets - end of year	<u><u>\$1,131,975</u></u>	<u><u>\$1,690,853</u></u>	<u><u>\$18,354</u></u>	<u><u>\$2,841,182</u></u>	<u><u>\$2,167,179</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**OUTRIGHT ACTION INTERNATIONAL, CORP.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With comparative totals for the year ended June 30, 2016)

	Program Services					Total Program Services	Supporting Services		Total Expenses 6/30/17	Total 6/30/16
	Africa	Asia	Latin America	Middle East	U.N. General		Management and General	Fundraising		
Salaries	\$109,813	\$365,944	\$75,294	\$107,480	\$120,836	\$779,367	\$110,101	\$214,223	\$1,103,691	\$1,112,763
Fringe benefits	23,946	84,919	10,080	21,974	32,927	173,846	23,405	43,204	240,455	213,354
Total salaries and fringes	<u>133,759</u>	<u>450,863</u>	<u>85,374</u>	<u>129,454</u>	<u>153,763</u>	<u>953,213</u>	<u>133,506</u>	<u>257,427</u>	<u>1,344,146</u>	<u>1,326,117</u>
Travel	36,172	139,309	48,515	30,901	39,664	294,561		1,416	295,977	400,252
Consultants	21,845	87,949	14,741	42,513	83,508	250,556	28,176	7,709	286,441	432,474
Accounting						0	174,910		174,910	169,461
Occupancy	11,225	46,769	7,583	10,399	13,411	89,387	12,628	24,570	126,585	125,369
Direct aid	8,260	206,253	9,045	14,330	680	238,568			238,568	160,472
Printing	567	7,212	438	729	778	9,724	1,374	2,673	13,771	41,241
Meetings	5,739	20,785	3,021	4,126	10,057	43,728	911	911	45,550	55,613
Telecommunications	3,640	14,226	2,600	4,967	4,244	29,677	4,192	8,157	42,026	37,179
Office and mailing	604	3,060	555	721	822	5,762	814	1,584	8,160	5,922
Dues, subscriptions, licenses and permits	3,036	12,522	3,569	3,082	4,768	26,977	1,154	2,245	30,376	40,171
Supplies	1,217	3,416	976	506	335	6,450	836	1,627	8,913	18,276
Equipment rental and purchase	981	4,286	758	1,040	1,341	8,406	984	1,754	11,144	20,166
Banking charges and processing fee	2,689	10,457	1,734	2,572	3,027	20,479	2,875	5,594	28,948	28,480
Advertising and promotion	90	391	69	95	122	767	192		959	1,917
Insurance	1,088	2,986	528	725	934	6,261	885	1,721	8,867	8,839
Cleaning and maintenance	64	581	50	68	88	851	120	234	1,205	4,335
Special event indirect expenses								11,711	11,711	50,480
Miscellaneous	1,318	2,573				3,891	3,028		6,919	10,030
Total other expenses	<u>98,535</u>	<u>562,775</u>	<u>94,182</u>	<u>116,774</u>	<u>163,779</u>	<u>1,036,045</u>	<u>233,079</u>	<u>71,906</u>	<u>1,341,030</u>	<u>1,610,677</u>
Total expenses before depreciation	232,294	1,013,638	179,556	246,228	317,542	1,989,258	366,585	329,333	2,685,176	2,936,794
Depreciation	674	2,943	521	714	920	5,772			5,772	8,256
Total expenses	<u>\$232,968</u>	<u>\$1,016,581</u>	<u>\$180,077</u>	<u>\$246,942</u>	<u>\$318,462</u>	<u>\$1,995,030</u>	<u>\$366,585</u>	<u>\$329,333</u>	<u>\$2,690,948</u>	<u>\$2,945,050</u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**OUTRIGHT ACTION INTERNATIONAL, CORP.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With comparative totals for the year ended June 30, 2016)

	<u>6/30/17</u>	<u>6/30/16</u>
Cash flows from operating activities:		
Change in net assets	\$674,003	\$260,096
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Depreciation	5,772	8,256
Realized and unrealized loss on investments	2,924	4,807
Donated securities	(241,194)	(327,340)
Changes in assets and liabilities:		
Other receivables	(85,027)	(131,195)
Contributions receivable	(400,437)	(220,282)
Government grants and contracts receivable	51,409	(5,182)
Prepaid sub-grant expenses	61,673	(119,599)
Prepaid expenses	(24,925)	10,783
Security deposits	(767)	1,895
Accounts payable and accrued expenses	14,070	(71,665)
Subgrantee advances	18,736	(15,009)
Deferred revenue	(235,952)	128,834
Total adjustments	<u>(833,718)</u>	<u>(735,697)</u>
Net cash used for operating activities	<u>(159,715)</u>	<u>(475,601)</u>
 Cash flows from investing activities:		
Purchases of investments	(695,217)	(348,680)
Sales of investments	876,808	638,765
Purchase of property and equipment	(6,712)	(4,464)
Net cash provided by investing activities	<u>174,879</u>	<u>285,621</u>
 Net increase /(decrease) in cash and cash equivalents	15,164	(189,980)
 Cash and cash equivalents - beginning of year	<u>816,111</u>	<u>1,006,091</u>
 Cash and cash equivalents - end of year	<u><u>\$831,275</u></u>	<u><u>\$816,111</u></u>
 Supplemental information:		
Total interest and income tax paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**OUTRIGHT ACTION INTERNATIONAL, CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - Nature of Entity**

Outright Action International, Corp. (“OAI”), formerly The International Gay and Lesbian Human Rights Commission, Inc., was incorporated in 1991 as a U.S. based not-for-profit organization headquartered in New York City with an office in Johannesburg, South Africa.

OAI works at the international, regional and national levels to research, defend, and advance human rights for LGBTIQ people around the world.

OAI partners directly with thousands of activists throughout the Global South to produce reliable data on the experiences of LGBTIQ people around the world and to develop effective advocacy and capacity building for LGBTIQ rights.

OAI provides training to partners and activists to develop their skills and expertise, for example, to combat homophobia and transphobia or to respond to violence based on sexual orientation, gender identity or gender expression.

OAI vigilantly monitors and documents the discriminatory and life-threatening conditions LGBTIQ people face to spur action to stop human rights violations when they occur.

OAI has been notified by the Internal Revenue Service that it is a 501(c)(3) organization that it is tax exempt under Section 509(a)(1) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Accounting

The financial statements of OAI have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

As a not-for-profit organization, OAI is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – accounts for all activity without donor-imposed restrictions and are available for the general operations of OAI.

The board-designated net assets include resources that have been designated by the Board of Directors to function as endowments and consist of amounts held in a reserve for operating contingences. Any portion of these funds may be expended upon approval of the board of directors.



Investment income from these net assets supports the current operations of OAI. During 2017, the board designated \$42,000 to be added to this portion of net assets.

- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity.

c. Cash and Cash Equivalents

All liquid investments that are not restricted or held by the investment custodian and have an initial maturity of three months or less are considered cash and cash equivalents.

d. Foreign Currency Translation Adjustment

The functional currency of OAI for its operations in South Africa is the Rand. The translation of the Rand into U.S. dollars is performed at the statement of financial position date using currency exchange rates. The resulting gains or losses from foreign currency translation adjustments are included in the statement of activities.

e. Concentration of Credit Risk

Financial instruments, which potentially subject OAI to concentration of credit risk, consist of cash, money market accounts and investment securities which have been placed with financial institutions that management deems to be creditworthy. The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long-term welfare of OAI. At year end and at certain times throughout the year, OAI had uninsured balances; however, no losses have been suffered due to the failure of any of these institutions.

f. Concentration of Grants and Contributions Receivables

Approximately 88% and 84% of grants and contribution receivables were from three private foundations and one government agency at June 30, 2017 and 2016, respectively.

g. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are recognized in the statement of activities.

h. Pledges Receivable

Pledges expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using risk-adjusted present value techniques. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

i. Property and Equipment

OAI capitalizes property and equipment with a cost or fair value exceeding \$2,000 and a useful life of more than one year. Depreciation of property and equipment is charged on the straight-line method over the estimated useful life of the asset. Property and equipment are depreciated over 3 to 5 years.

j. Contract Revenue/Deferred Revenue

Revenue from government and other contracts is recognized when reimbursable expenses are incurred under the terms of the respective contracts. Contract payments in excess of qualified expenses are accounted for as deferred revenue.

k. Contributions

Contributions are recorded as revenue at the earlier of the receipt of cash or when a pledge is considered unconditional in nature. Contributions are considered available for unrestricted use, unless specifically restricted by the donor, in which case they are recorded in the temporarily restricted class of net assets. When a restriction expires (that is, when a stipulated time restriction ends or program restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

l. Donated Services

Contributions of services that create or enhance non-financial assets, or require specialized skills, are performed by those who possess those skills and would typically have been purchased if they had not been donated, are recognized at fair value.

Most services requiring specific expertise are paid for; however, many individuals volunteer their time and perform a variety of tasks to assist with specific assistance programs, campaign solicitation, and various committee assignments. No amounts have been reflected in the financial statements for these types of donated services because they do not meet the criteria for recognition as outlined above.

m. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

n. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable bases.

o. Accounting for Uncertainty of Income Taxes

OAI does not believe its financial statements include any uncertain tax positions. Tax filing for the period ending June 30, 2014 and later are subject to examination by applicable taxing authorities.

p. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through February 2, 2018 the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or disclosure in the financial statements.

q. Prior-Year Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the OIA's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

r. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 fiscal year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 fiscal year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

OAI has not yet evaluated the impact these standards will have on future financial statements.

**Note 3 - Investments**

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that OAI has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

All investments were considered to be level 1 securities and consisted of the following:

	<u>6/30/17</u>	<u>6/30/16</u>
Cash and money balances	\$596,258	\$558,319
Equities	<u>1,992</u>	<u>1,988</u>
Total	<u>\$598,250</u>	<u>\$560,307</u>

Level 1 securities are valued at the closing price reported on the active market they are traded on.

Investment loss consists of the following:

	<u>6/30/17</u>	<u>6/30/16</u>
Interest and dividends	\$609	\$2,416
Investment fees	(415)	(175)
Unrealized loss	(13)	(118)
Realized loss	<u>(2,911)</u>	<u>(4,689)</u>
Total net loss on investments	<u>(\$2,730)</u>	<u>(\$2,566)</u>

**Note 4 - Contributions Receivable**

Contributions receivable are due in the following years:

	<u>6/30/17</u>	<u>6/30/16</u>
One year or less	\$705,721	\$416,242
Two to four years	<u>470,000</u>	<u>375,000</u>
	1,175,721	791,242
Less: Discount to fair value	<u>(23,101)</u>	<u>(39,059)</u>
Total	<u>\$1,152,620</u>	<u>\$752,183</u>

Discount rate was computed using an interest rate of 4%, which was the prime rate at the time the contribution was received.

**Note 5 - Property and equipment**

Property and equipment consists of the following:

	<u>6/30/17</u>	<u>6/30/16</u>
Furniture and equipment	\$114,073	\$107,361
Leasehold improvements	<u>10,918</u>	<u>10,918</u>
	124,991	118,279
Less: accumulated depreciation	<u>(115,998)</u>	<u>(110,226)</u>
Total	<u>\$8,993</u>	<u>\$8,053</u>

**Note 6 - Temporarily Restricted Net Assets**

Temporarily restricted net assets can be summarized as follows:

	<u>June 30, 2017</u>			
	<u>7/1/16</u>	<u>Contributions</u>	<u>Released</u>	<u>6/30/17</u>
Time restricted	\$433,742	\$1,010,000	(\$653,742)	\$790,000
Purpose restricted	<u>861,059</u>	<u>492,296</u>	<u>(452,502)</u>	<u>900,853</u>
Total	<u>\$1,294,801</u>	<u>\$1,502,296</u>	<u>(\$1,106,244)</u>	<u>\$1,690,853</u>

	<u>June 30, 2016</u>			
	<u>7/1/15</u>	<u>Contributions</u>	<u>Released</u>	<u>6/30/16</u>
Time restricted	\$556,920	\$458,726	(\$581,904)	\$433,742
Purpose restricted	<u>355,374</u>	<u>969,844</u>	<u>(464,159)</u>	<u>861,059</u>
Total	<u>\$912,294</u>	<u>\$1,428,570</u>	<u>(\$1,046,063)</u>	<u>\$1,294,801</u>

**Note 7 - Permanently Restricted Net Assets**

The permanent endowment, in the amount of \$18,354, started in the early years of the organization when a group of concerned individuals raised funds to sustain the future of OAI.

OAI maintains the assets of the permanently restricted net assets in its operating account and reflects this as restricted cash on the statement of financial position. Due to the small amount, no spending policy has been established, nor are there any funds with deficiencies that should be disclosed.

**Note 8 - Employee Benefits**

OAI sponsors a 403(b) pension plan through Metropolitan Life. All full-time employees are eligible to participate or make voluntary contributions to the plan on the date of hire. OAI may make a discretionary non-elective contribution. OAI made contributions of \$32,101 and \$41,030 to the plan during the years ended June 30, 2017 and 2016, respectively.

**Note 9 - Commitments and Contingencies**

OAI has a non-cancelable operating lease agreement for its New York City office space which expires in 2020. In addition to the base annual rent, OAI is liable for a prorated portion of the real estate tax.

Future minimum payments, excluding utilities and other escalations, under the lease are as follows:

Year ending:	June 30, 2018	\$110,974
	June 30, 2019	<u>114,304</u>
Total		<u>\$225,278</u>

The amount of rent expense was \$106,588 and \$106,964 under the current leases for the years ended June 30, 2017 and 2016, respectively.

**Note 10 - Special Event**

The financial summary of the special events are as follows:

	<u>6/30/17</u>	<u>6/30/16</u>
Net proceeds	\$249,556	\$407,494
Less: expenses with a direct benefit to donors	<u>(70,407)</u>	<u>(102,277)</u>
	179,149	305,217
Less: other event expenses	<u>(11,711)</u>	<u>(50,480)</u>
Total	<u>\$167,438</u>	<u>\$254,737</u>